

Sales and Use Tax and Gross Receipts Tax on Prepaid Telephone Calling Cards

Sales & Use tax notice

This notice is to clarify the proper application of Tennessee sales and use tax to the sale of prepaid telephone calling cards.

Effective June 3, 1997, the sale of a prepaid telephone calling card has been defined as the sale of tangible personal property and is subject to sales or use tax. Tenn. Code Ann. Section 67-6-102(29). The dealer who sells the prepaid telephone calling cards is responsible for collecting and remitting the sales tax on sales made in Tennessee. Prepaid telephone calling cards imported into Tennessee for use in this state are subject to use tax on the purchase price of the prepaid telephone calling cards. The cards are subject to sales or use tax at the state tax rate of 6% and at the local rate of the location of the dealer making the sale or at the location of the consumer importing the prepaid telephone calling cards for use in Tennessee.

Effective June 17, 1999, the recharge of a prepaid telephone calling card is also defined as the sale of tangible personal property and is subject to sales or use tax if the customer's service address is located in Tennessee. Tenn. Code Ann. Sections 67-6-102(27) and (29). The customer's service address is considered a Tennessee service address when the

bill for the recharge of the card is: 1) sent to a location in Tennessee; 2) charged to a Tennessee telephone number; or 3) charged to a credit card with a Tennessee billing address. Since prepaid telephone calling cards are defined as tangible personal property, the calls paid for by the use of the cards are not subject to the tax on telecommunications services. Dealers who sell prepaid telephone calling cards may purchase the telecommunication services associated with the prepaid telephone calling cards utilizing a resale certificate.

Vending machine sales of prepaid telephone calling cards may be subject to the sales tax or to the gross receipts tax defined in Tenn. Code Ann. Section 67-4-506. Effective June 17, 1999, the option of reporting gross receipts tax is limited to merchandise vended for \$5 or less. Prepaid telephone calling cards sold through a vending machine for more than \$5 are subject to sales tax. This amendment applies to vending machine sales made on or after July 1, 2000.

Have questions or comments? Please let us know. [Contact us.](#)

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